Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

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PAGE 01 BONN 12235 201705Z

55
ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 /086 W
---------- 077803
R 201652Z JUL 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0545
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY LONDON
AMEMBASSY BERN
AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS

C O N F I D E N T I A L BONN 12235

E.O. 11652: GDS
TAGS: EGEN, GW, AR
SUBJECT: VISIT OF ARGENTINA'S FINANCE MINISTER TO FRG

1. SUMMARY. DURING VISIT OF ARGENTINA'S FINANCE MINISTER, FRG AGREED TO GERMAN CONTRIBUTION OF $70-80 MILLION TO PRIVATE BANK LOAN TO ARGENTINA AND AGREED TO CONSIDER A REQUEST TO RAISE THE GOVERNMENT EXPORT GUARANTEE CEILING FOR ARGENTINA. THE ARGENTINES BELIEVED THAT THE EXPROPRIATION NEGOTIATIONS COULD BE RESOLVED DURING THE COMING YEAR. END SUMMARY.

2. ECONMIN HAS BRIEFED EMBOFF ON JULY 13 AND 14 VISIT OF ARGENTINA'S FINANCE MINISTER MARTINEZ DE HOZ. THE ARGENTINES HELD DISCUSSIONS WITH REPRESENTATIVES OF THE FONOFF, THE ECONOMIC, FINANCE, AGRICULTURE, AND AID MINISTRIES, THE BUNDESBANK AND OTHER COMMERCIAL BANKS.

CONFIDENTIAL

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PAGE 02 BONN 12235 201705Z

3. LOANS:

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

MARTINEZ DE HOZ TOLD THE GERMAN SIDE THAT ARGENTINA NEEDED $1.2 BILLION TO PAY ITS SHORT TERM DEBT. THE FRG AGREED TO PROVIDE $70-80 MILLION IN COMMERCIAL LOANS AS ITS CONTRIBUTION TO THE WESTERN CONSORTIUM LOAN. ACCORDING TO THE ECONMIN SOURCE, THIS LOAN CONSISTS OF $500 MILIION FROM AMERICAN BANKS AND A $300 MILLION CREDIT FROM THE IMF. SOME OF THE EUROPEAN SHARES OF THE PACKAGE WILL BE: GREAT BRITAIN - $75 MILLION, SWITZERLAND - $60 MILLION, AND $45 MILLION SHARED BETWEEN THE NETHERLANDS AND BELGIUM. THE IMF WILL PROVIDE ITS CREDIT FIRST AND BE FOLLOWED BY THE BANK CONSORTIA TOGETHER. THE COMMERCIAL LOANS WILL ALL CARRY FOUR YEAR TERMS AND INTEREST RATES WILL BE HARMONIZED. MARTINEZ DE HOZ PORTRAYED THE DEBT REPAYMENT PROBLEM AS SHORT TERM ONLY AND ASSURED THE GERMAN SIDE THAT THE MEDIUM AND LONG TERM PROSPECTS LOOKED BETTER.

4. EXPORT CREDIT POLICY:

MARTINEZ DE HOZ REQUESTED A HIGHER HERMES CEILING FOR GOVERNMENT GUARANTEES OF FRG EXPORTS TO ARGENTINA. PRESENTLY GUARANTEES ARE LIMITED TO DM 1 MILLION PER PROJECT. THE ARGENTINES POINTED TO THE EXAMPLE OF SWITZERLAND WHICH REPORTEDLY AGREED TO RAISE ITS CEILING TO SF 150 MILLION. THE GERMAN SIDE AGREED TO CONSIDER THE REQUEST BUT REMAINS HESITANT TO QUICKLY MOVE UP FROM THE DM 1 MILLION LEVEL. ECONMIN BELIEVES EXCEPTIONS TO THE DM 1 MILLION CEILING WILL BE MADE IN THE FUTURE WHERE THE PROJECT IS PARTICULARLY INTERESTING FOR GERMAN FIRMS. THEN PERHAPS THE CEILING WOULD BE RAISED LATER AS A RESULT OF CONSTANT EXCEPTIONS. THE COMMERCIAL BANK LOANS DISCUSSED WITH THE ARGENTINES CANNOT BE GUARANTEED SINCE THEY WILL NOT BE TIED TO GERMAN EXPORTS.

5. EXPROPRIATION NEGOTIATIONS:

THE ARGENTINE SIDE INDICATED THAT IT WOULD BE CONFIDENTIAL

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PAGE 03 BONN 12235 201705Z

FORTHCOMING IN THE TALKS CONCERNING A SETTLEMENT OF THE SIEMENS AND GERMAN-SOUTH AMERICAN BANK EXPROPRIATIONS. BOTH SIDES BELIEVED THAT AN EQUITABLE SETTLEMENT COULD BE REACHED BEFORE THE END OF 1976.

6. PROSPECTS FOR ARGENTINE ECONOMY:

MARTINEZ DE HOZ TOLD THE GERMAN SIDE THAT THE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

PROSPECTS FOR ARGENTINA LOOK BRIGHTER. HE EXPECTED
THE BOP TO MOVE INTO SURPLUS BY THE END OF THE
YEAR, AND LOOKED FORWARD TO INCREASED WHEAT PRODUCTION
AND MORE PROGRESS IN THE BATTLE AGAINST INFLATION.
HE PROJECTED A REQUIREMENT OF A $15 BILLION INVESTMENT
IN OII AND MINERALS WHICH HE HOPED WOULD SUBSTANTIALLY
COME FROM FOREIGN INVESTMENT. ECONMIN SHARED THIS
OPTIMISTIC OUTLOOK OF THE ECONOMY. CASH

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